

3 November 2015

Mr. Christopher J. Kirkpatrick  
Secretary  
Commodity Futures Trading Commission  
Three Lafayette Center  
1155 21<sup>st</sup> St., N.W.  
Washington, DC 20581  
United States of America

Dear Mr. Kirkpatrick,

### **Self-certification of Amendments to SGX-DC Clearing Rules**

#### **1 Introduction**

1.1 Singapore Exchange Derivatives Clearing Limited ("**SGX-DC**"), a derivatives clearing organisation ("**DCO**") registered with the Commodity Futures Trading Commission (the "**Commission**"), hereby submits a self-certification for amendments to its Clearing Rules (the "**Amendments**") pursuant to Commission regulation 40.6(a).

#### **2 Intended Implementation Date**

2.1 The Amendments are proposed to be implemented in or after the first quarter of 2016, but will not be implemented prior to the Commission's 10 business day review period.

#### **3 Explanation and Analysis**

3.1 The Amendments are in respect of introduction the new trade registration system of SGX-DC ("**Titan-OTC**"). Titan-OTC will be used for the registration of all off-market trades (excluding over-the-counter financial derivatives ("**OTCF**") trades) with SGX-DC for clearing.

3.2 With the introduction of Titan-OTC:

- (a) New functionalities and improvements will be introduced to the trade registration process. Currently, it is difficult to introduce these as the existing systems are inflexible and lack interoperability.

- (b) There will be just one system for the registration of all off-market trades (excluding OTCF trades) with SGX-DC. This will streamline trade registration by providing a uniformed process for the registration of off-market trades (excluding OTCF).

3.3 SGX-DC is registered as an approved clearing house under the Securities and Futures Act of Singapore and regulated by the Monetary Authority of Singapore (“MAS”). The Amendments are subject to the MAS’ regulatory concurrence.

#### 4 **Description of Amendments**

4.1 Chapters 2 and 7 and Schedule A to the SGX-DC Clearing Rules would be amended as a result of the Amendments.

4.2 The text of the Amendments with the changes indicated is attached as Appendix 1.

#### 5 **Certification of Compliance with Core Principles**

5.1 The Amendments have been promulgated in respect of SGX-DC’s compliance with Core Principle E on settlement procedures and seek to provide clarity on registration of all off-market trades (excluding the OTCF trades).

5.2 SGX-DC hereby certifies to the Commission that the Amendments comply with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

#### 6 **Public Notice of Pending Certification**

6.1 SGX-DC has made publicly available a notice of the Amendments’ pending certification with the Commission, together with a copy of this submission on its website at [http://www.sgx.com/wps/portal/sgxweb/home/regulation/consult\\_pub/dco\\_submissions](http://www.sgx.com/wps/portal/sgxweb/home/regulation/consult_pub/dco_submissions).

#### 7 **Opposing Views**

7.1 There were no opposing views expressed to SGX-DC by its board or committee members, SGX-DC Clearing Members or market participants that were not incorporated into the Amendments. If any opposing views are received by SGX-DC during the Commission’s review period, such views will be communicated to the Commission accordingly.

8 **Contact Details**

8.1 Please do not hesitate to contact the undersigned at [ludovico.cardone@sgx.com](mailto:ludovico.cardone@sgx.com) or +65 6713 7765 should you require any clarification.

Yours sincerely,



Ludovico Cardone  
Assistant Vice President  
Legal (Regulation)

## Appendix 1

### Text of the Proposed Amendments to Appendix 1 to the SGX-DC Clearing Rules

#### PROPOSED AMENDMENTS TO SGX-DC CLEARING RULES

PROPOSED RULE AMENDMENTS	RATIONALE FOR CHANGE
<b>Chapter 2 Clearing Membership</b>	
<b>2.11 Other Financial Requirements</b>	
...	
<b>2.11.5 <del>[This rule has been deleted.]</del> <u>Capital to Meet Loss Exposure</u></b>	
<del>2.11.5.1 — Before a Clearing Member can clear an Eligible Non-Relevant Market Transaction which trade price falls outside the price band prescribed by the Clearing House (referred to at Rule 7.02A.1.1), it shall maintain at least the minimum capital required by the Clearing House, to meet the loss exposure in excess of the prescribed price band. The Clearing Member shall notify the Clearing House prior to the close of business of the next Business Day that it has fulfilled such capital requirements.</del>	This rule is proposed to be deleted because it is no longer required today. When SGX-DC first accepted off-market trades for clearing, it was anticipated that each Clearing Member would register not only current trades but old ones as well. That would result in each Clearing Member registering a very large number of trades and having a very large loss exposure if all those trades are registered outside the prescribed price band. This rule provided assurance to SGX-DC that a Clearing Member would have sufficient financial resources to meet that exposure. Today, Clearing Members register far fewer trades as only current trades are registered. Margin requirements will sufficiently cover a Clearing Member's loss exposure arising from the registration of those trades outside the prescribed price bad.
...	
<b><u>2.28B Fictitious Transactions Without Change in Ownership</u></b>	
<u>2.28B.1 A Clearing Member shall ensure that it does not clear any trade where the beneficial interest in both sides of the trade belongs to the same person. The Clearing Member's record keeping and audit trails must show that it has</u>	This rule already exists for Clearing Members with trading privileges (see Rule 3.4.9 of the Futures Trading Rules). Amendment to include it in the SGX-DC Clearing Rules so that it will apply to all

PROPOSED RULE AMENDMENTS	RATIONALE FOR CHANGE
<p><u>taken reasonable measures to establish that both sides of the trade belong to different beneficial owners.</u></p> <p><u>This Rule does not apply in the following circumstances:</u></p> <p><u>a. the trade originates from a fund manager whose instructions are to switch the contract from one sub-account to another for legitimate commercial reasons;</u></p> <p><u>b. each side of the trade will be booked out finally to different beneficial owners;</u></p> <p><u>c. if the Clearing member establishes to the Clearing House that the creation of a false market was not a purpose of the trade.</u></p>	<p>Clearing Members.</p>
<p>...</p>	
<p><b>Chapter 7 Clearing and Margins</b></p>	
<p>...</p>	
<p><b>7.02A Registration of <b>Eligible</b> Non-Relevant Market Transactions, <u>NLT transactions, EFP transactions and EFS transactions</u></b></p> <p><b>7.02A.1 <b>Eligible</b> Non-Relevant Market Transactions, <u>NLT transactions, EFP transactions and EFS transactions</u></b></p>	<p>Amendments to include the registration requirements for NLT, EFP and EFS transactions in the SGX-DC Clearing Rules.</p> <p>Post-consultation amendment arising from the deletion of the defined term “Eligible Non-Relevant Market Transaction”. The defined term is proposed to be deleted because:</p> <p>(a) The term is not used much in the Rules, and where it is used, the term “Non-Relevant Market Transaction” (which will remain as a defined term) often works just as well. For those Rules in which the term cannot be simply replaced with “Non-Relevant Market Transaction”, a full description (e.g., “a Non-Relevant Market Transaction that is eligible for registration pursuant to Rule 7.02A.1.1”) will be used instead.</p> <p>(b) If the term is not deleted, terms such as</p>

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	<p>“Eligible NLT Transactions” and “Eligible EFS Transactions” will also have to be introduced for consistency. Like the term “Eligible Non-Relevant Market Transaction”, these terms will have limited use. Introducing them will just over-complicate the rules.</p>
<p>7.02A.1.1 Only Non-Relevant Market Transactions, <u>NLT transactions, EFP transactions and EFS transactions</u> which meet the following criteria will be eligible for registration with the Clearing House: <del>A Non-Relevant Market Transaction that is eligible for registration will be referred to in this Rules as a (“Eligible Non-Relevant Market Transactions”):</del></p>	<p>Amendments to include the registration requirements for NLT, EFP and EFS transactions.</p> <p>Post-consultation amendment arising from the deletion of the defined term “Eligible Non-Relevant Market Transaction”.</p>
<p>a. a transaction: <del>which falls under</del></p> <p>i. <del>which falls under</del> one of the classes of Eligible Non-Relevant Market Contracts; <del>or</del></p> <p>ii. <del>in respect of a Contract listed on the Exchange which has been designated by the Exchange for NLT transactions and which meets the minimum volume thresholds and other procedures prescribed by the Exchange from time to time; or</del></p> <p>iii. <del>in respect of a Contract listed on the Exchange for EFP transactions and EFS transactions which meets the procedures prescribed by the Exchange from time to time.</del></p>	<p>Amendments to provide for the criteria to qualify a transaction as an NLT, EFP or EFS transaction.</p>
<p>b. a transaction where:</p> <p>i. <del>the Seller and the Buyer have satisfied the credit and position thresholds risk limits</del> prescribed by their respective Clearing Members; <del>and or</del></p> <p>ii. <del>notwithstanding that either the Seller or the Buyer has not, its Clearing Member has signified its agreement to clear the transaction; and</del></p>	<p>Amendments to (a) clarify that “risk limits” refers to credit and position thresholds; (b) mandate risk checks for NLT transactions, EFP transactions and EFS transactions; and (c) allow a Clearing Member to override pre-set risk limits.</p>
<p>c. a transaction where:</p>	<p>Consequential amendment from the</p>

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<p>i. the trade price falls within the price band prescribed by the Clearing House; or</p> <p>ii. notwithstanding that the trade price does not fall within the price band prescribed by the Clearing House, the Clearing Member acting for the Seller and the Clearing Member acting for the Buyer have both signified their respective agreement to clear the transaction <u>and have both met the capital and notification requirements prescribed by Rule 2.11.5.</u></p>	<p>deletion of Rule 2.11.5.</p>
<p>Once the criteria in Rule 7.02A.1.1 are satisfied, the Clearing Members acting for the Seller and the Buyer respectively <del>agree to shall shall</del> be responsible for the <u>Eligible Non-Relevant Market Transaction</u> as principals to the Clearing House <del>upon substitution occurring pursuant to Rule 7.04.</del></p>	<p>Amendments to include NLT, EFP and EFS transactions.</p> <p>Post consultation amendments to revert to the original intent of the rule which is concerned with the legal relationships pre-novation.</p>
<p>7.02A.1.2 If a <del>an</del> Non-Relevant Market Transaction, <u>a NLT transaction, a EFP transaction or a EFS transaction</u> does not fulfill the criteria in Rule 7.02A.1.1, <u>and is rejected by the Non-Relevant Market Transaction shall be deemed not to have been submitted to the Clearing House for clearing, and the transaction shall be deemed not to have been submitted to the Clearing House and will be dealt with shall remain in effect or be terminated, as the case may be,</u> in accordance with any terms agreed between the Seller and the Buyer.</p>	<p>Amendments to include NLT, EFP and EFS transactions, to make clear that the consequences of non-eligibility will arise only if and when the transaction is rejected for clearing, and for conciseness.</p> <p>Post-consultation drafting changes to retain the original language of the rule so that there is no confusion that a transaction that is not eligible for registration will be deemed never to have been submitted.</p>
<p>7.02A.1.3 The specifications of Eligible Non-Relevant Market Contracts including Contract size, Contract Month, trading hours, underlying asset, exercise price, minimum price fluctuation, last trading day, settlement basis and method of exercise shall be set out in Circulars issued by the Clearing House from time to time.</p>	
<p><b>7.02A.2 Registration of Non-Relevant Market Transactions, <u>NLT transactions, EFP transactions and EFS transactions</u></b></p>	<p>Amendments to provide for the registration of NLT, EFP and EFS transactions.</p>
<p>7.02A.2.1 Non-Relevant Market Transactions, <u>NLT transactions, EFP transactions and EFS</u></p>	<p>Amendments to mandate the registration of NLT, EFP and EFS transactions through</p>

PROPOSED RULE AMENDMENTS	RATIONALE FOR CHANGE
<p><u>transactions</u> will be registered with the Clearing House for clearing through the Trade Registration System or other facility as prescribed by the Clearing House. A <u>complete</u> submission for registration will be accepted or rejected by the Clearing House as quickly after submission as would be technologically practicable if fully automated systems were used.</p>	<p>the same Trade Registration System (i.e., Titan OTC) as Non-Relevant Market Transactions.</p>
<p>7.02A.2.2 An <del>Eligible</del> Non-Relevant Market Transaction, <u>a NLT transaction, a EFP transaction and a EFS transaction</u> may only be registered by <del>any of the following parties:</del></p> <p><del>a.—an Inter Dealer Broker which has been authorized by both a Clearing Member acting for a Seller and a Clearing Member acting for a Buyer;</del></p> <p><del>a1.—a Seller;</del></p> <p><del>b.—a Clearing Member acting for a Seller and a Clearing Member acting for a Buyer; or</del></p> <p><del>e.—such other party authorized by them the Clearing Member acting for a Seller and approved by the Clearing House.</del></p>	<p>Amendments to provide for the registration of NLT, EFP and EFS transactions.</p> <p>Post consultation drafting changes to:</p> <p>(a) replace the defined term “Eligible Non-Relevant Market Transaction” with “Non-Relevant Market Transaction”. It is not necessary to refer to the eligibility of a transaction for registration in this rule;</p> <p>(b) simplify the drafting of the rule and make clear that any person authorised by a Clearing Member may register a trade in that Clearing Member’s name; and</p> <p>(c) incorporate the old Rule 7.02A.2.3 (dealing with registrants for the buyer) so that this Rule deals with registration for both the seller and buyer.</p>
<p>7.02A.2.3 <del>[This rule has been deleted] Any confirmation Where registration of an Eligible Non-Relevant Market Transaction, a NLT transaction, a EFP transaction or a EFS transaction pursuant to Rule 7.02A.2.8 is submitted by a Clearing Member acting for a Seller or a party authorised by such Clearing Member and approved by the Clearing House, confirmation of the Eligible Non-Relevant Market Transaction may only be submitted by:</del></p> <p><del>a.—a Clearing Member acting for a Buyer; or</del></p> <p><del>a1.—a Buyer; or</del></p> <p><del>b.—such other party authorized by the Clearing Member acting for a Buyer and approved by the Clearing House.</del></p>	<p>The process by which a trade is registered by the selling party then “confirmed” by the buying party has been simplified so that any party to a trade may register it (by inputting the relevant details), save that some registration details can only be input by one side (see Rule 7.02A.2.7). There is no longer the concept of “confirmation”. This workflow change was developed post-consultation. With the change, Rule 7.02A.2.3 is no longer necessary and can be deleted because the reference to “confirmation” of a trade is no longer necessary and the provisions on eligible registrants for the buyer can be incorporated into Rule 7.02A.2. Post-consultation amendments have accordingly been made to that effect.</p>
<p>7.02A.2.4 Any <del>party using of the parties submitting registration or confirmation of an</del></p>	<p>Post-consultation amendments to remove reference to “confirmation” of a trade and</p>

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<p><del>Eligible Non-Relevant Market Transaction, a NLT transaction, a EFP transaction or a EFS transaction through</del> the Trade Registration System, or other facility prescribed by the Clearing House, shall comply with the terms and conditions governing the access to and operation of that system, as varied, amended, or supplemented from time to time.</p>	<p>to simplify the drafting of the rule.</p>
<p>7.02A.2.5 A Clearing Member acting for a Seller or Buyer, as the case may be, must submit to the Clearing House the name of each <del>Inter Dealer Broker or such other</del> party <del>referred to at Rule 7.02A.2.2</del> <u>referred to in Rule 7.02A.2.2</u> who is authorized to register <del>or confirm</del> Non-Relevant Market Transactions, <u>NLT transactions, EFP transactions or EFS transactions</u> on the behalf of such Clearing Member.</p>	<p>Amendments to provide for the registration of NLT, EFP and EFS transactions.</p> <p>Post-consultation amendments to remove reference to “confirmation” of a trade and to simplify the drafting of the rule.</p>
<p>7.02A.2.6 A Clearing Member acting for a Seller or Buyer, as the case may be, shall obtain the consent of such Seller or Buyer, before allowing any <del>Inter Dealer Broker or such other</del> party <del>referred to in at Rule 7.02A.2.2</del> <u>referred to in Rule 7.02A.2.2</u> to register <del>or confirm</del> Non-Relevant Market Transactions, <u>NLT transactions, EFP transactions or EFS transactions</u> on the behalf of such Clearing Member.</p>	<p>Amendments to provide for the registration of NLT, EFP and EFS transactions.</p> <p>Post-consultation amendments to remove reference to “confirmation” of a trade and to simplify the drafting rule.</p>
<p>7.02A.2.7 Each registration of an <del>Eligible</del> Non-Relevant Market Transaction, <u>a NLT transaction, a EFP transaction or a EFS transaction, in order to be complete</u> must specify:</p> <ul style="list-style-type: none"> <li>a. the type(s) of Eligible Non-Relevant Market Contract(s) which the Non-Relevant Market Transaction falls under, <u>or the Contract listed on the Exchange to which the NLT transaction, EFP transaction or EFS transaction relates;</u></li> <li>b. the expiry month;</li> <li>c. the quantity;</li> <li>d. the price;</li> <li>e. the <del>name of the</del> Clearing Member(s) acting for the Buyer <del>and Seller;</del></li> </ul>	<p>Amendments to provide for the registration of NLT, EFP and EFS transactions.</p> <p>Post-consultation amendments to:</p> <ul style="list-style-type: none"> <li>(a) replace the defined term “Eligible Non-Relevant Market Transaction” with “Non-Relevant Market Transaction”. It is not necessary to refer to the eligibility of a transaction for registration in this rule; and</li> <li>(b) make clear those registration details that can only be input by each side. This is necessitated by the post-consultation changes to the registration process as described in the rationale to Rule 7.02A.2.3 above.</li> </ul>

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<p>f. the Seller's account number <u>(which may only be specified by a Clearing Member acting for a Seller or such party that the Clearing Member authorises) and the Buyer's account number (which may only be specified by a Clearing Member acting for a Buyer or such party that the Clearing Member authorises)</u>; and</p> <p>g. such other particulars as may be prescribed by the Clearing House from time to time.</p>	
<p>7.02A.2.8 <del>[This rule has been deleted] A-Each confirmation of an Eligible Non-Relevant Market Transaction, a NLT transaction, a EFP transaction or a EFS transaction is required if any of the following details are not already included in the registration and shall include such missing details:—</del></p> <p><del>a.—the details of the trade set out in Rules 7.02A.2.7.a to 7.02A.2.7.e;</del></p> <p><del>b.—the Buyer's account number; and</del></p> <p><del>c.—such other particulars as may be prescribed by the Clearing House from time to time.</del></p>	<p>Post consultation deletion arising from for the simplification of the registration process with no more need to “confirm” a transaction.</p>
<p>7.02A.2.9 <u>For each Unless:</u></p> <p><u>a.—the registration of an Eligible Non-Relevant Market Transaction, NLT transaction, EFP transaction or EFS transaction, (a) complete registration as set out in Rules 7.02A.2.7 and 7.02A.2.8; and or the complete specification of trade details pursuant to Rule 7.02A.2.7; and</u></p> <p><u>b.—the confirmation of the details set out in Rule 7.02A.2.8; and</u></p> <p><u>(b) where applicable, e-the signifying of a Clearing Member's agreement to the clearing of a trade, if the trade price does not fall within the prescribed price band as set out in Rules 7.02A.1.1.b.ii and 7.02A.1.1.c.ii, must be completed-carried out by the timelines set out below:</u></p> <p><u>i. For a transaction concluded in a “T” trading</u></p>	<p>Amendments to make clear the trade submission timelines given the new workflow in Titan OTC.</p> <p>Post-consultation consequential and editorial amendments.</p>

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<p><u>session on a Trading Day: No later than thirty (30) minutes after the "T" session closes. If this timeline is not met, any acceptance of the transaction for clearing will be for the clearing day following the Trading Day.</u></p> <p><u>ii. For a transaction concluded in a "T+1" trading session on a Trading Day: No later than thirty (30) minutes after the "T session" on the next Trading Day closes. If this timeline is not met, any acceptance of the transaction for clearing will be for the clearing day following the Trading Day.</u></p> <p><del>are submitted to the Clearing House on the same day, prior to the trade submission deadline(s) prescribed by the Clearing House, such Eligible Non-Relevant Market Transaction will not be registered.</del></p>	
<p><u>7.02A.2.9A Clearing Members are required to ensure that all trades are submitted for registration in a timely manner.</u></p>	<p>New rule to oblige Clearing Members to ensure that all trades are registered soon after execution.</p>
<p><del>7.02A.2.10 A Clearing Member acting for a Seller <u>agrees that every party listed in Rule 7.02A.2.3 is entitled to confirm an Eligible Non-Relevant Market Transaction, NLT transaction, EFP transaction or EFS transaction in that Clearing Member's name.</u> shall assume the duties and obligations of the Seller, as principal to the Clearing House, for an Eligible Non-Relevant Market Transaction that has been registered and confirmed by any of the parties in Rules 7.02A.2.2 and 7.02A.2.3 respectively.</del> <u>shall assume the duties and obligations of the Seller, as principal to the Clearing House, for any Non-Relevant Market Transaction, NLT transaction, EFP transaction or EFS transaction that is eligible for registration pursuant to Rule 7.02A.1.1 and that has been registered by any of the parties in Rule 7.02A.2.2.</u></p>	<p>Amendments to include NLT, EFP and EFS transactions.</p> <p>Post consultation drafting changes to:</p> <p>(a) retain the original intent and language of the rule to minimise confusion; and</p> <p>(b) replace the defined term "Eligible Non-Relevant Market Transaction" with a full description of that term. It is necessary to refer to the eligibility of a transaction for registration in this rule. As such, the term has not been simply replaced with "Non-Relevant Market Transaction".</p>
<p><del>7.02A.2.11 A Clearing Member acting for a Buyer <u>agrees that every party listed in Rule 7.02A.2.3 is entitled to confirm an Eligible Non-Relevant Market Transaction, NLT transaction, EFP transaction or EFS transaction in that Clearing Member's name.</u> shall assume the duties</del></p>	<p>Amendments to include NLT, EFP and EFS transactions.</p> <p>Post consultation drafting changes to:</p> <p>(a) retain the original intent and language of the rule to minimise confusion;</p>

PROPOSED RULE AMENDMENTS	RATIONALE FOR CHANGE
<p><del>and obligations of the Buyer, as principal to the Clearing House, for an Eligible Non-Relevant Market Transaction that has been registered and confirmed by any of the parties in Rules 7.02A.2.2 and 7.02A.2.3 respectively. shall assume the duties and obligations of the Seller, as principal to the Clearing House, for any Non-Relevant Market Transaction, NLT transaction, EFP transaction or EFS transaction that is eligible for registration pursuant to Rule 7.02A.1.1 and that has been registered by any of the parties in Rule 7.02A.2.2.</del></p>	<p>and (b) replace the defined term “Eligible Non-Relevant Market Transaction” with a full description of that term. It is necessary to refer to the eligibility of a transaction for registration in this rule. As such, the term has not been simply replaced with “Non-Relevant Market Transaction”.</p>
<p>7.02A.2.12 In allowing the submission of an <del>Eligible</del> Non-Relevant Market Transaction for registration through the Trade Registration System or other facility as prescribed by the Clearing House, the Seller and Buyer of such <del>Eligible</del> Non-Relevant Market Transaction shall be deemed to have mutually agreed (i) to substitute their contract for a contract based on the specifications referred to in Rule 7.02A.1.3, and (ii) for the Clearing House to become the central counterparty to the Clearing Members in whose names such <del>Eligible</del> Non-Relevant Market Transaction has been registered pursuant to Rule 7.04.</p> <p><u>In allowing the submission of a NLT transaction, a EFP transaction or a EFS transaction for registration through the Trade Registration System or other facility as prescribed by the Clearing House, the Seller and Buyer of such transaction shall be deemed to have mutually agreed for the Clearing House to become the central counterparty to the Clearing Members in whose names the transaction has been registered, pursuant to Rule 7.04.</u></p>	<p>Amendment to include NLT, EFP and EFS transactions.</p> <p>Post-consultation drafting changes to replace the defined term “Eligible Non-Relevant Market Transaction” with “Non-Relevant Market Transaction”. It is not necessary to refer to the eligibility of a transaction for registration in this rule.</p>
<p>7.02A.2.13 Once an <del>Eligible</del> Non-Relevant Market Transaction <u>that is eligible for registration pursuant to Rule 7.02A.1.1</u> has been submitted for registration, the terms of the <del>Eligible</del> Non-Relevant Market Transaction shall be final and a Clearing Member shall be bound by the terms of the <del>Eligible</del> Non-Relevant Market Transaction registered in its name.</p> <p>The Clearing House shall not be responsible for</p>	<p>Post-consultation drafting changes to replace the defined term “Eligible Non-Relevant Market Transaction” with a full description of that term. It is necessary to refer to the eligibility of a transaction for registration in this rule. As such, the term has not been simply replaced with “Non-Relevant Market Transaction”.</p>

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<p>confirming the terms of such <del>Eligible</del> Non-Relevant Market Transactions.</p>	
<p><del><b>7.02A.3 Registration of Eligible Non-Relevant Market Transactions, NLT transactions, EFP transactions and EFS transactions in the event of interrupted access to the Trade Registration System.</b></del></p>	<p>Post-consultation renumbering to keep all registration requirements under Rule 7.02A.2. This makes cross referencing tidier.</p>
<p><del><b>7.02A.3.1-7.02A.2.14</b></del> <u>In the event of any technical fault that prevents or inhibits access and/or use of the Trade Registration System for registration of Non-Relevant Market Transactions, NLT transaction, EFP transaction or EFS transaction by any Clearing Member(s), the Clearing House may, in its absolute discretion, and in circumstances which it deems appropriate, allow for registration by such other means as it may prescribe.</u></p>	<p>The new rules (re-numbered as Rules 7.02A.2.14 to 7.02A.2.17) provide for the registration of trades when Titan OTC is down.</p>
<p><del><b>7.02A.3.2-7.02A.2.15</b></del> <u>If the Clearing House exercises its discretion pursuant to Rule 7.02A.2.14:</u></p> <p><u>a. The Clearing House will inform all Clearing Members of this decision by issuance of a circular or by such other means as the Clearing House deems appropriate; and</u></p> <p><u>b. The Clearing House may vary or waive the timelines for registration as set out in Rule 7.02A.2.9.</u></p>	
<p><del><b>7.02A.3.3-7.02A.2.16</b></del> <u>Any loss or inhibition of access and/or use of the Trade Registration System which is due to any technical faults arising from or caused by a Clearing Member's own equipment, system, device or market facility will not be considered sufficient ground for the Clearing House to exercise its discretion under Rule 7.02A.3.1.</u></p>	
<p><del><b>7.02A.3.4-7.02A.2.17</b></del> <u>Factors which the Clearing House may consider in the exercise of its discretion include:</u></p> <p><u>a. the number of Clearing Members which are affected by the technical fault;</u></p>	

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<p><u>b. the estimated length of time required to resolve the technical fault;</u></p> <p><u>c. the impact of the technical fault on the ability of the Clearing House to operate a safe and efficient clearing facility; and/or</u></p> <p><u>d. any other factor which the Clearing House deems relevant.</u></p>	
...	
<p><b>7.02B Withdrawal of Classes of Non-Relevant Market Contracts and OTCF Contracts for Clearing by the Clearing House</b></p>	
...	
<p>The Clearing House shall have the sole discretion to disallow the registration or substitution, as the case may be, of:</p> <p>a. <del>an Eligible</del> Non-Relevant Market Transaction, other than a closing-out contract after it has given notice to withdraw the clearing of any class of Eligible Non-Relevant Market Contract which the <del>OTCF</del> transaction falls under; or</p> <p>b. an Eligible OTCF Transaction, other than a closing-out contract after it has given notice to withdraw the clearing of any class of Eligible OTCF Contract which the OTCF Transaction falls under.</p>	<p>Post-consultation drafting changes to replace the defined term “Eligible Non-Relevant Market Transaction” with “Non-Relevant Market Transaction”. It is not necessary to refer to the eligibility of a transaction for registration in this rule.</p>
<p><b>7.04 Substitution</b></p>	
...	
<p><b>7.04.2 Off Market Trades (Excluding OTCF)</b></p>	
<p>7.04.2.1 <del>Eligible</del> Non-Relevant Market Transactions, <del>EFP transactions, EFS transactions and NLT transactions</del> cleared by two Clearing Members</p> <p>When a <del>contract registered and confirmed as an Eligible</del> Non-Relevant Market Transaction, <del>EFP</del></p>	<p>Amendments to provide for the novation point of Non-Relevant Market Transactions with the implementation of Titan-OTC.</p> <p>Post-consultation drafting changes to:</p> <p>(a) incorporate Rule 7.04.2 (novation for EFP, EFS and NLT transaction) as the</p>

PROPOSED RULE AMENDMENTS	RATIONALE FOR CHANGE
<p><u>transaction, EFS transaction or NLT transaction that is eligible for registration pursuant to Rule 7.02A.1.1 and that is registered</u> pursuant to Rule 7.02A.2 between two Clearing Members is cleared through the Clearing House, upon <u>the Clearing House notifying-issuing to the Clearing Members a Notice of Novation through the system-generated message entitled “BD4” that the transaction has been accepted for clearing confirmation of the contract</u>, the original contract between the Clearing Members shall be discharged and replaced with two separate and distinct Contracts as described below, both of which are on the same terms as the original contract:</p> <p>a. the Clearing Member who assumes the position of the buyer shall enter into a Contract with the Clearing House, which assumes the position of the seller, and</p> <p>b. the Clearing Member who assumes the position of the seller shall enter into a Contract with the Clearing House, which assumes the position of the buyer.</p> <p><u>A “Notice of Novation” for the purpose of Rule 7.04.2 means a “BD4” message or such other message that the Clearing House may inform Clearing Members will be used in place of a “BD4” message.</u></p>	<p>novation point for Non-Relevant Market Transactions, and EFP, EFS and NLT transactions is the same. Combining the different transaction types under one rule makes for easier reading;</p> <p>(b) replace the defined term “Eligible Non-Relevant Market Transaction” with a full description of that term which also covers EFP, EFS and NLT transactions. It is necessary to refer to the eligibility of a transaction for registration in this rule as only such transactions will be novated; and</p> <p>(c) provide for flexibility in the event the Clearing House is unable to issue a BD4 message.</p>
<p><b>7.04.2.2 <del>[This rule has been deleted.] EFP, EFS, NLT cleared by two Clearing Members</del></b></p> <p><del>Subject to Rule 7.04.2.3, wWhen a contract registered as an EFP, EFS or NLT pursuant to Rule 7.02A.2 between two Clearing Members is cleared through the Clearing House, upon the Clearing House notifying the Clearing Members through the system-generated message entitled “BD4” that the transaction has been accepted for clearing, the original contract between the Clearing Members shall be discharged and replaced with two separate and distinct Contracts as described below, both of which are on the same terms as the original contract:</del></p> <p><del>a. the Clearing Member who assumes the</del></p>	<p>Post-consultation drafting change to combine this rule with Rule 7.04.2.1 for easier reading.</p>

PROPOSED RULE AMENDMENTS	RATIONALE FOR CHANGE
<p><del>position of the buyer shall enter into a Contract with the Clearing House, which assumes the position of the seller, and</del></p> <p><del>b.—the Clearing Member who assumes the position of the seller shall enter into a Contract with the Clearing House, which assumes the position of the buyer.</del></p>	
<p>7.04.2.3 <del>[This rule has been deleted.]The events described under Rule 7.04.2.2 shall take place only upon:</del></p> <p><del>a.—where both Clearing Members receive margin call pursuant to the first margin cycle run following the registration of the trade: the later in time Confirmation by the Clearing Members' Settlement Bank(s) of the Payment Instructions in respect of the margin calls; or</del></p> <p><del>b.—where only one Clearing Member receives margin call pursuant to the first margin cycle run following the registration of the trade: Confirmation by that Clearing Member's Settlement Bank of the Payment Instruction in respect of that margin call; or</del></p> <p><del>c.—where neither Clearing Member receives margin call pursuant to the first margin cycle run for the trade: the end of that margin cycle.</del></p>	<p>Deletion of rule as its substance (point of novation for EFP, EFS and NLT transactions) was incorporated into Rule 7.04.2.2 pre-consultation then Rule 7.04.2.1 post consultation.</p> <p>With the price band checks in Titan-OTC, novation of EFP, EFS and NLT transactions need no longer be deferred to after margins are collected. The checks give assurance that trades done far from the prevailing market price cannot be registered without the explicit consent of the Clearing Members of both the buyer and the seller.</p>
<p>7.04.2.4 <b>EFP transactions, EFS transactions, and NLT transactions cleared by a Clearing Member and a clearing member of another Relevant Market (or its clearing house)</b></p> <p><u>Subject to Rule 7.04.2.5, w</u><del>W</del><u>hen a contract registered as an EFP transaction, EFS transaction or NLT transaction that is eligible for registration pursuant to Rule 7.02A.1.1 and that is registered pursuant to Rule 7.02A.2</u> between a Clearing Member and a clearing member of a Relevant Market or its clearing house (other than the Clearing House) is cleared through the Clearing House, <u>upon the Clearing House notifying issuing to the Clearing Member and clearing member a Notice of Novation that the transaction has been accepted for clearing through the system</u></p>	<p>Amendments to provide for the novation point of EFP, EFS and NLT transactions cleared by a Clearing Member and a clearing member of another Relevant Market with the implementation of Titan-OTC. With the price band checks in Titan-OTC, novation of these transactions need no longer be deferred to after margins are collected. The checks give assurance that trades done far from the prevailing market price cannot be registered without the explicit consent of the relevant clearing members.</p> <p>Post-consultation drafting changes to:</p> <p>(a) make clear that only transactions that are eligible for registration will be</p>

PROPOSED RULE AMENDMENTS	RATIONALE FOR CHANGE
<p><del>generated message entitled "BD4"</del>, the original contract shall be discharged and replaced with two separate and distinct Contracts as described below, both of which are on the same terms as the original contract:</p> <p>a. a Contract between the Clearing Member and Clearing House, wherein:</p> <p style="padding-left: 40px;">i. the Clearing House assumes the position of the buyer if the Clearing Member assumes the position of the seller, and conversely,</p> <p style="padding-left: 40px;">ii. the Clearing House assumes the position of the seller if the Clearing Member assumes the position of the buyer; and</p> <p>b. a Contract between the Relevant Market (or its clearing house) and the Clearing House, wherein:</p> <p style="padding-left: 40px;">i. the Relevant Market (or its clearing house) assumes the position of the buyer if the Clearing House assumes the position of the seller, and conversely,</p> <p style="padding-left: 40px;">ii. the Relevant Market (or its clearing house) assumes the position of the seller if the Clearing House assumes the position of the buyer.</p>	<p>novated; and</p> <p>(b) provide for flexibility in the event the Clearing House is unable to issue a BD4 message.</p>
<p>7.04.2.5 <del>[This rule has been deleted.] The events described under Rule 7.04.2.4 shall take place only upon the occurrence of the following:</del></p> <p><del>a.—Confirmation by the Clearing Member's Settlement Bank of the Payment Instruction in respect of the margin call received by the Clearing Member pursuant to the first margin cycle run following the registration of the trade, or, if no such margin call is received, the end of that margin cycle; and</del></p> <p><del>b.—confirmation by the Relevant Market (or its clearing house) that it will enter into the Contract described in Rule 7.04.2.4.b.</del></p>	<p>Deletion of rule as its substance (point of novation) has been incorporated into Rule 7.04.2.4.</p>
<p>...</p>	

PROPOSED RULE AMENDMENTS	RATIONALE FOR CHANGE
<p><b>7.27 Transfers of Trades</b></p>	
<p>7.27.1 Subject to the approval of the Clearing House:</p>	
<p>...</p>	
<p>7.27.1.4 Existing trades on the books of one Clearing Member may be transferred to the books of another Clearing Member when such transfer is <del>an NLT</del>, an EFP transaction or an EFS transaction. The provisions of this Rule 7.27.1.4 shall not however apply to options contracts; and</p>	<p>Post-consultation amendment to retain the original Rule which is meant to cover only EFP and EFS transactions.</p>
<p>...</p>	
<p><b>7A.02 Open Positions of Defaulted /Suspended Clearing Members</b></p>	
<p>7A.02.1 When a Clearing Member having open positions has defaulted upon its obligation to the Clearing House, or has been suspended, the Clearing House may:—</p>	
<p>...</p>	
<p>7A.02.1.4 where the open positions relate to <del>an Eligible</del> Non-Relevant Market Transaction or a Contract subject to physical delivery prior to renovation in Rule 6.02A.7, and it is in the Clearing House's good faith opinion impossible or impracticable for the open positions to be transferred or closed out pursuant to Rules 7A.02.1.1 and 7A.02.1.3 respectively, the Clearing House may, in addition to any other power or right it may have, invoice back such positions to the defaulting or suspended Clearing Member. The Clearing House shall then simultaneously invoice back the equivalent number of positions or as nearly equivalent number of such positions as the Clearing House may deem practical to the following:—</p> <p>a. in the case of <del>an Eligible</del> Non-Relevant Market Transaction or a Contract subject to physical delivery prior to the matching process in Rule 6.02A.7, to other non-defaulting and non-</p>	<p>Post-consultation drafting changes to replace the defined term “Eligible Non-Relevant Market Transaction” with “Non-Relevant Market Transaction”. It is not necessary to refer to the eligibility of a transaction for registration in this rule.</p>

PROPOSED RULE AMENDMENTS		RATIONALE FOR CHANGE
<p>suspended Clearing Members, and/or any other non-defaulting Relevant Market (or its clearing house) holding appropriate opposite positions (whether reported to the Clearing House as being House or Customer positions) as at the date of such invoicing back, on a pro-rata basis, calculated as the proportion of such gross opposite positions of each non-defaulting and non-suspended Clearing Member and/or Relevant Market (or its clearing house) at the date of such transfer relative to the aggregate value of such open positions held by all non-defaulting and non-suspended Clearing Members (to be rounded down or up if the number of lots is not a whole number at the Clearing House's absolute discretion); or</p> <p>b. in the case of a Contract subject to physical delivery after the matching process in Rule 6.02A.7 and before re-novation in Rule 6.02A.7, to the non-defaulting and non-suspended Clearing Members and/or clearing member of another Relevant Market (or its clearing house), with which the defaulting or suspended Clearing Member has been matched in accordance with Rule 6.02A.7 (whether reported to the Clearing House as being House or Customer positions).</p> <p>The invoicing back shall be carried out by the Clearing House effecting and registering opposite positions between itself and each of the relevant affected persons. The Clearing House shall then settle the open positions against such opposite positions, at a price determined by it. The Clearing House's actions, including the timing of the transfer and the price determined by the Clearing House shall be binding on all affected Clearing Members;</p>		
...		
<b>Chapter 9 Definitions and Interpretation</b>		
<b>9.01 Definitions</b>		
<b><u>Term</u></b>	<b><u>Meaning</u></b>	
<del>"Eligible Non-</del>	<del>[This definition has been</del>	Post-consultation deletion because the

PROPOSED RULE AMENDMENTS		RATIONALE FOR CHANGE
<p><del>Relevant Market Transaction</del></p>	<p><del>deleted] shall have the meaning ascribed to it in Rule 7.02A.1.1</del></p>	<p>term is not used much in the Rules, and where it is used, the term “Non-Relevant Market Transaction” (which will remain as a defined term) often works just as well. For those Rules in which the term cannot be simply replaced with “Non-Relevant Market Transaction”, a full description (e.g., “a Non-Relevant Market Transaction that is eligible for registration pursuant to Rule 7.02A.1.1”) will be used instead.</p> <p>Further, if the term is not deleted, terms such as “Eligible NLT Transactions” and “Eligible EFS Transactions” will also have to be introduced for consistency. Like the term “Eligible Non-Relevant Market Transaction”, these terms will have limited use. Introducing them will over-complicate the rules.</p>
<p><u>“Exchange of Futures for Physical” / “EFP”</u></p>	<p><del>means</del> <u>refers to a contract for the simultaneous exchange of a Futures Contract (as defined in the Trading Rules) for the corresponding physical underlying.</u></p>	<p>Addition to include the definition of EFP for clarity. Post-consultation drafting change for consistency.</p>
<p><u>“Exchange of Futures for Swap” / “EFS”</u></p>	<p><del>means</del> <u>refers to a contract for the simultaneous exchange of a Futures Contract (as defined in the Trading Rules) for a corresponding <del>Eligible Non-Relevant Market Contract</del> or <del>OTCF Contract.</del></u></p>	<p>Addition to include the definition of EFP for clarity. Post-consultation drafting change for consistency.</p>
<p>“Inter Dealer Broker”</p>	<p>means a party who:</p> <ol style="list-style-type: none"> <li>a. has signed an agreement with the Clearing House for the access to and use of the Trade Registration System; and</li> <li>b. is designated by the Clearing House as eligible to submit Non-Relevant Market</li> </ol>	<p><u>Amendments to</u> accurately reflect the role of Inter Dealer Brokers.</p>

PROPOSED RULE AMENDMENTS		RATIONALE FOR CHANGE
	Transactions, <a href="#">NLT transactions</a> , <a href="#">EFP transactions</a> or <a href="#">EFS transactions</a> to the Clearing House on behalf of a Clearing Member pursuant to this Rules.	
<a href="#">“Negotiated Large Trade” / “NLT”</a>	<del>means refers to</del> <a href="#">large trades executed outside any electronic trading platform operated by the Exchange and pursuant to minimum thresholds and other procedures prescribed by the Exchange.</a>	Addition to include the definition of NLT for clarity. Post-consultation drafting change for consistency.
“Trade Registration System”	means the software and systems provided by the Clearing House or any third party systems provider approved by the Clearing House to Clearing Members, <del>Sellers, Buyers</del> , Inter Dealer Brokers or such other <del>parties</del> authorised by the Clearing Members and, where required under this Rules, approved by the Clearing House, for the purpose of registering <del>and confirming Eligible</del> Non-Relevant Market Transactions, <a href="#">NLT transactions</a> , <a href="#">EFP transactions</a> , <a href="#">EFS transactions</a> and/or Eligible OTCF Transactions with the Clearing House.	Amendments to include NLT, EFP and EFS transactions as transactions to be registered under the Trade Registration System.  Post-consultation changes arising from the simplification of the registration process to no longer require “confirmation” of trades as well as to streamline drafting (Sellers and Buyers will be encompassed within “parties authorised by the Clearing Members”).
...		

## Consequential amendments to Schedule A of the SGX-DC Clearing Rules

### Chapter 2 – Clearing Membership

Rule Violation		Whether composition may be offered	Composition Amount which may be Offered by the Clearing House, where the Clearing House has Determined the Clearing Member to be Liable			Mandatory minimum penalty imposed by the DC
Rule Chapter/Number	Brief Description of Rule		1st Violation	2nd Violation	3rd Violation	
<b>Chapter 2 — Clearing Membership</b>						
2.11.5.1	<del>[deleted] Clearing Member to maintain minimum capital to meet loss exposure in excess of prescribed price band and to notify the Clearing House that it has fulfilled the requirement</del>	Compoundable	<del>\$2,000— \$4,000</del>	<del>\$4,000— \$7,000</del>	<del>\$7,000— \$10,000</del>	N.A.
<u>2.28B</u>	<u>Clearing Member not to clear any transactions where both sides of the trade belong to the same person.</u>	<u>Not Compoundable</u>	<u>Not Compoundable</u>			<u>\$10,000</u>

### Chapter 7 — Clearing and Margins

Rule Violation		Whether composition may be offered	Composition Amount which may be Offered by the Clearing House, where the Clearing House has Determined the Clearing Member to be Liable			Mandatory minimum penalty imposed by the DC
Rule Chapter/Number	Brief Description of Rule		1st Violation	2nd Violation	3rd Violation	
<b>Chapter 7 — Clearing and Margins</b>						
7.02A.2.2	<del>Eligible</del> Non-Relevant Market transaction, <u>NLT transaction, EFP transaction and EFS transaction</u> to be registered by certain	Compoundable	\$2,000 – \$4,000	\$4,000 – \$7,000	\$7,000 – \$10,000	N.A.

Rule Violation		Whether composition may be offered	Composition Amount which may be Offered by the Clearing House, where the Clearing House has Determined the Clearing Member to be Liable			Mandatory minimum penalty imposed by the DC
Rule Chapter/Number	Brief Description of Rule		1st Violation	2nd Violation	3rd Violation	
<b>Chapter 7 — Clearing and Margins</b>						
	parties.					
7.02A.2.3	<del>[Confirmation of Eligible Non-Relevant Market transaction may only be submitted by certain parties]</del>	Compoundable	<del>\$2,000 – \$4,000</del>	<del>\$4,000 – \$7,000</del>	<del>\$7,000 – \$10,000</del>	N.A.
7.02A.2.4	Parties <del>using the Trade Registration System, or other facility prescribed by the Clearing House, shall submitting registration or confirmation of an Eligible Non-Relevant Market transaction to</del> comply with the terms and conditions governing access to and operation of the Trade Registration System.	Compoundable	\$2,000 – \$4,000	\$4,000 – \$7,000	\$7,000 – \$10,000	N.A.
7.02A.2.5	Clearing Member <del>acting for a Seller or Buyer, as the case may be,</del> to submit name <del>of each party who is of Inter Dealer Broker</del> authorised to register Non-Relevant Market transactions, <del>NLT transactions, EFP transactions and EFS transactions.</del>	Compoundable	\$500	\$1,000	\$2,000	N.A.
7.02A.2.6	Clearing Member to obtain consent of Seller/Buyer before allowing <del>any party Inter Dealer Broker</del> to register Non-Relevant Market transactions.	Compoundable	\$500	\$1,000	\$2,000	N.A.

Rule Violation		Whether composition may be offered	Composition Amount which may be Offered by the Clearing House, where the Clearing House has Determined the Clearing Member to be Liable			Mandatory minimum penalty imposed by the DC
Rule Chapter/Number	Brief Description of Rule		1st Violation	2nd Violation	3rd Violation	
<b>Chapter 7 — Clearing and Margins</b>						
	<u>NLT transactions, EFP transactions and EFS transactions.</u>					
7.02A.2.7	Registration of <u>Eligible Non-Relevant Market transactions, NLT transactions, EFP transactions and EFS transactions</u> to specify the stipulated details.	Compoundable	\$500	\$1,000	\$2,000	N.A.
7.02A.2.8	<del>[deleted] Confirmation of Eligible Non-Relevant Market transactions to specify the stipulated details</del>	<del>Compoundable</del>	<del>\$500</del>	<del>\$1,000</del>	<del>\$2,000</del>	<del>N.A.</del>